

# Reform Digital Tax: Make Mobile Money Fair & Smartphones Accessible in Uganda

## Uganda's NDP IV Goals

Internet use: 20% → 45%  
Mobile money usage: → 71% by 2029

## Mobile Money is Essential

- Used by **35.6 million** Ugandans
- Moves **USD 133 billion** annually

## MOBILE MONEY TAX

### Mobile Money Withdraw Tax

**0.5%** Excise duty on withdrawals

**18%** VAT on transaction fees

**Banks are taxed only on fees and not withdrawals**

Mobile money users pay **21 times more** than bank users to access money.

Withdrawing **UGX 1,000,000** attracts

- Mobile money tax: **UGX 6,630**
- Bank ATM tax: **UGX 315**

### The Unequal Impact

**64%** of adults use Mobile money and **14%** use banks

**Over 219,000** Mobile money agents across the country more than bank branches

Small withdrawals of **UGX 10,000–50,000** become disproportionately expensive

Taxes mostly affect low-income and rural Ugandans, who rely on mobile money for Food, School fees, healthcare

### Impact of Past Tax Reforms

**40% drop** in mobile money usage after the 2018 tax

Every 10% increase in cost **reduces usage by 20%**

Creates **33–35% economic waste**

In Tanzania, rural households lost **10–18% of food spending** due to mobile money taxes

### CSO PROPOSAL

**Amend the Excise Duty Act** to Reduce the mobile money withdrawal tax from 0.5% to 0.25 percent.

**Introduce a maximum cap** of UGX 5,000 per transaction

**Exempt withdrawals** below UGX 20,000

Tax fees only and not the amount withdrawn

### WHY

- Reduces regressive taxation
- Encourages digital transactions
- Limits return to cash usage
- Aligns with regional practice (Kenya, Tanzania, Rwanda)



## SMARTPHONE TAX

### Current Taxes on Smartphones



**10%** import duty and **18%** VAT on smartphones below 350,000

**1.5%** infrastructure levy

**1%** import declaration fee

### Impact

A phone costing **UGX 250,000** lands at **UGX 330,000**

This contributes to low smartphone penetration of **33%**, compared to a regional average of **50%**.

### The Smart Phone Gap

**32.2 million** Basic Phones

**20 Million** smart phones



### Smartphones are essential for

Internet access

Digital payments

E-government services such as paying taxes

Online Business

Online education

### CSO PROPOSAL

**Remove Import Duty and Zero-Rate VAT** on entry level smart phones with CIF value below **UGX 350,000**



### Safeguards

Use customs value (CIF), not retail price

URA to publish a list of eligible models

Regular post-clearance audits

Periodic review as technology evolves

## FISCAL IMPLICATIONS

### Short Term

**UGX 599 billion** revenue to be foregone from Mobile money cash-out tax over a 5 year period



### Long Term

Projected revenue gain is **UGX 1.49 Trillion** over a 5 year period

Lower digital taxes increase economic activity and recover revenue over time.



Cash withdrawal values are projected to rise from **UGX 31.96 billion** in FY 2025/26 → **UGX 63.39 billion** in FY 2029/30, effectively doubling the tax base over the medium term.



Active mobile money users are projected to increase from **16.3 million** → **24.2 million**,

The agent network is expected to expand from **266,000** → **424,000**.



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